

Department of Revenue

FY 2014 Revised
FY 2015 Recommended
FY 2015 – FY 2019 Capital
Staff Presentation
March 26, 2014

Background

- Created by 2006 Assembly to centralize administration of revenues
 - Office of Director
 - Office of Revenue Analysis
- Transferred from Dept. of Administration
 - State Lottery
 - Division of Municipal Finance
 - Taxation
 - Registry of Motor Vehicles
 - State Aid (transferred by 2011 Assembly)

Summary by Program

<i>(in millions)</i>	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
Director's Office	\$ 1.2	\$ 1.1	\$ 1.1	\$ (0.1)
Office of Revenue Analysis	0.5	0.5	0.6	0.0
Lottery	245.5	335.1	342.3	96.9
Municipal Finance	2.4	2.0	2.0	(0.4)
Taxation	21.1	20.7	21.6	0.5
Motor Vehicles	20.8	24.2	20.9	0.1
State Aid	61.9	61.8	62.0	0.1
Total	\$ 353.4	\$ 445.5	\$ 450.6	\$ 97.1

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Target Issues

- Budget Office provided a general revenue target of \$102.6 million
 - Current service adjustments of \$10.2 million
 - 7% reduction of \$3.0 million
- Budget submitted by the Department \$2.8 million above the target
- Department proposed two new revenue initiatives
 - Extend sales and hotel taxes to resale cost of hotel rooms
 - Modification to property relief tax credit

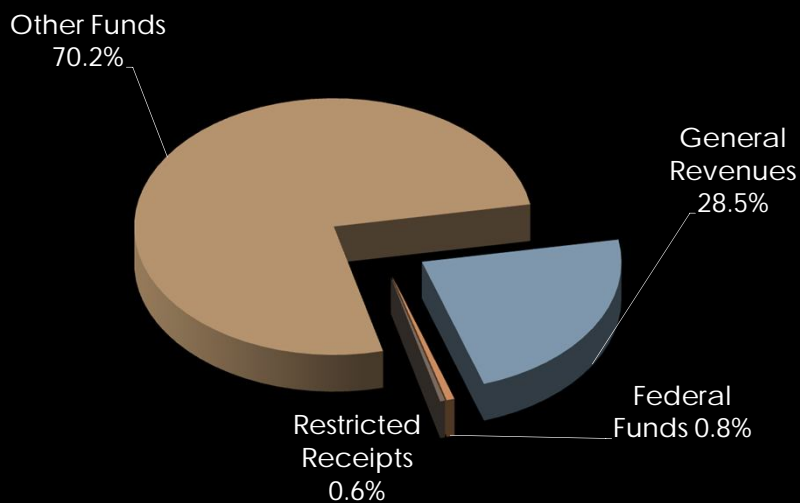
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Target Issues

- Governor's FY 2015 recommendation is \$2.5 million more than the target
 - 7.0 new revenue officer positions
 - Adds funds for customer service positions at the Registry of Motor Vehicles
 - New chief information officer for DMV
- FY 2015 Budget Articles include room resellers proposal
 - Heard March 6, 2014

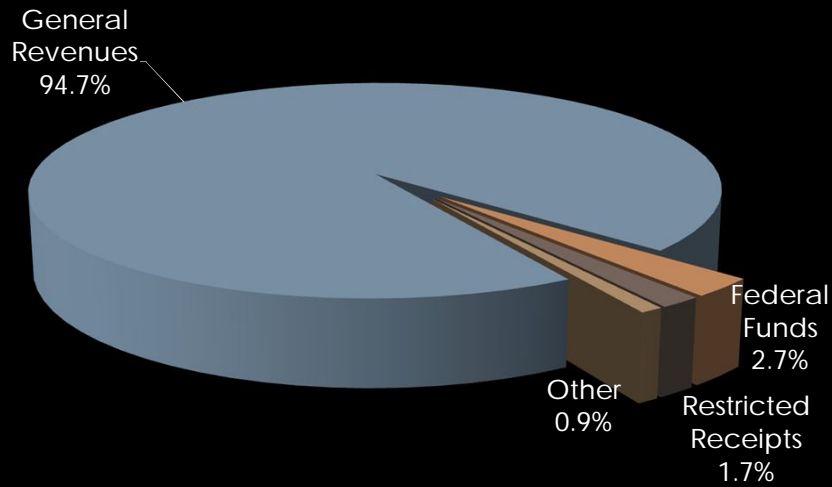
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FY 2015 Sources of Funding



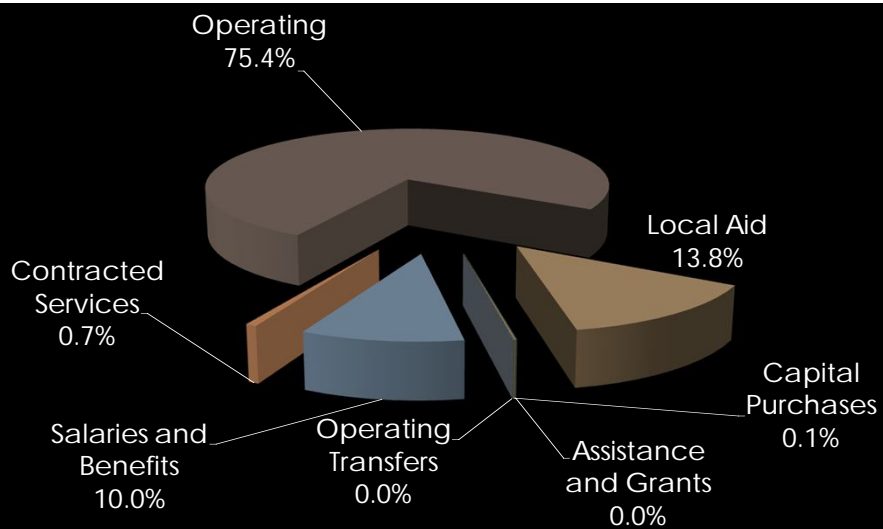
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FY 2015 Sources of Funding – Lottery Funds Excluded



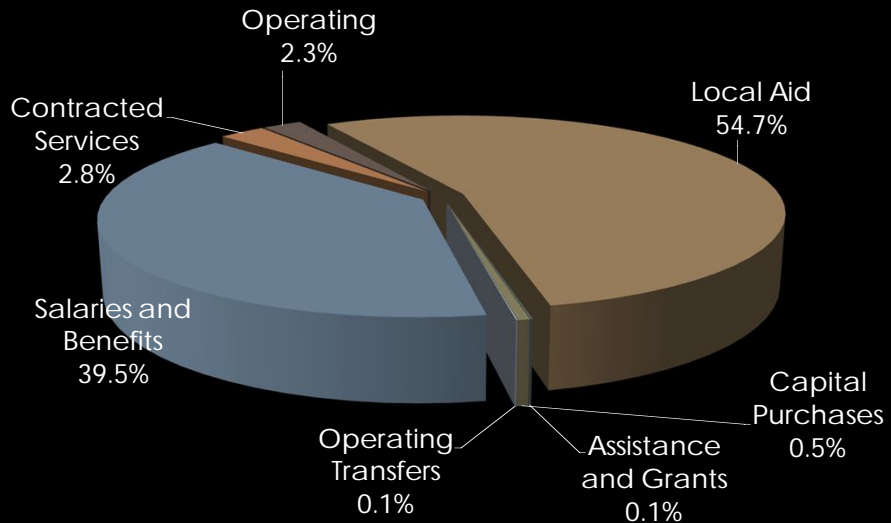
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FY 2015 Funding by Category



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FY 2015 Funding by Category – Lottery Prizes and Payments Excluded



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Personnel

Full-Time Positions	FTEs	Change to Enacted
Enacted Authorized	492.0	-
FY 2014 Revised	492.0	-
FY 2015 Request	493.0	1.0
FY 2015 Governor	499.0	7.0
FY 2013 Average Filled	426.3	(65.7)
Filled as of March 8th	455.1	(36.9)

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Full-time Equivalent Positions

	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
Director's Office	9.0	9.0	9.0	-
Revenue Analysis	4.0	4.0	4.0	-
Lottery	84.0	84.0	84.0	-
Municipal Finance	17.0	17.0	17.0	-
Taxation	208.0	208.0	215.0	7.0
Motor Vehicles	170.0	171.0	171.0	1.0
Unidentified	-	(1.0)	(1.0)	(1.0)
Total	492.0	492.0	499.0	7.0

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Salaries and Benefits

<i>(in millions)</i>	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
General Revenue	\$ 32.5	\$ 31.9	\$ 33.4	\$ 0.9
Federal Funds	1.2	1.2	1.2	0.0
Restricted Receipts	0.8	0.8	0.8	0.0
Other Funds	9.5	9.1	9.4	(0.1)
Total	\$ 44.0	\$ 43.1	\$ 44.9	\$ 0.9

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Office of the Director

- Oversight of departmental operations
 - Administration
 - Legal services
 - Financial management
- Funded from general revenues
- Authorized 9.0 full-time positions

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Office of the Director

- FY 2014 revised includes \$1.1 million
 - \$1.1 million for salaries and benefits
 - Senior Internal Auditor position vacant
 - \$23,990 for operations expenses
- FY 2015 includes \$1.1 million
 - \$1.1 million for salaries and benefits
 - Senior Internal Auditor position vacant
 - \$21,010 for operations expenses

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Office of Revenue Analysis

- Analyzes, evaluates and appraises state tax system
- Prepares the tax expenditures report
- Prepares cost benefit analysis of all tax expenditures
- Funded from general revenues
- Authorized 4.0 positions

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Office of Revenue Analysis

- FY 2014 revised includes \$0.5 million
 - \$0.5 million for salaries and benefits
 - \$23,337 for operations expenses
- FY 2015 includes \$0.5 million
 - \$0.5 million for salaries and benefits
 - \$47,305 for operations expenses
 - \$27,500 for biennial update of Sales and Use Tax Model

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Lottery Division

- Established in statute in 1974
 - Quasi-state agency until July 2005
 - Transferred to Department of Administration
 - Transferred to Department of Revenue in 2006
- Operates on-line games, Keno, instant games, Powerball tickets
 - Collects all revenues and remits prize funds
- Funded from Lottery funds

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Lottery Division

<i>(in millions)</i>	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
Prizes and Payments	\$ 227.3	\$ 317.0	\$ 324.4	\$ 97.1
Salaries and Benefits	8.6	8.2	8.5	(0.1)
All Other Operations	9.5	9.8	9.4	(0.2)
Total	\$ 245.5	\$ 335.1	\$ 342.3	\$ 96.9

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Lottery Division – Prizes and Payments

- Prizes and payments for FY 2014 and FY 2015 reflect November Revenue Estimating Conference

<i>(in millions)</i>	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
Table Gaming	\$ -	\$ 67.2	\$ 72.2	\$ 72.2
Traditional and Keno	227.3	249.8	252.3	25.0
Total	\$ 227.3	\$ 317.0	\$ 324.4	\$ 97.1

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Lottery Division – Table Gaming

- \$0.1 million for both years for Gambling Addiction Counselling
 - Twin River will reimburse
- \$1.4 million for both years for State Police Gaming Unit
 - 9.0 sworn members of State Police
 - Monitors potential criminal activity
 - Investigates gaming-related crime in state

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Lottery Division – Table Gaming

- \$2.9 million for FY 2014 and \$3.0 million for all other Table Gaming operations
 - Salaries and benefits for 31.0 positions
 - \$2.8 million for FY 2014
 - \$2.9 million for FY 2015
 - No vacancies as of January 11, 2014
 - Enacted amount of \$0.1 million for operating supplies and expenses for both years

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Lottery Division – All Other Operations

- Includes authorized 53.0 full-time positions
 - \$5.4 million for salaries and benefits for FY 2014
 - Reflects current vacancies
 - \$5.6 million for salaries and benefits for FY 2015

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Lottery Division – All Other Operations

- Recommends enacted level of \$8.0 million for operations and capital expenses for FY 2014
 - \$0.3 million for Lottery Building Renovations
 - \$6.7 million for advertising
 - \$0.2 million more than enacted
- Recommends \$7.8 million for FY 2015
 - Includes \$6.7 million for advertising, consistent with revised recommendation

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Lottery Division – All Other Operations

- Article 13 – heard March 6th
 - Section 1 – Eliminates 25% transfer requirement from traditional lottery revenues
 - Section 1 – Conforms to new GASB reporting requirements
 - Section 2 – Increases permanent state share of table game revenue to 18%; allows for only 4 year drop to 16% upon losses due to Massachusetts gaming

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Division of Municipal Finance

- Provides technical support to municipalities
- Administers and distributes local aid
- Determines communities' wealth for use in school aid formulas
- Funded from general revenues

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Division of Municipal Finance

<i>(in millions)</i>	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
Actuarial and Legal Services	\$ 0.6	\$ 0.3	\$ 0.2	\$ (0.4)
Oversight Reimbursement	-	0.1	0.1	0.1
All Other Operations	1.7	1.6	1.6	(0.1)
Total	\$ 2.4	\$ 2.3	\$ 2.0	\$ (0.4)

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Division of Municipal Finance

- \$0.3 million for FY 2014 and \$0.2 million for FY 2015 for actuarial and legal services
 - Reflective of actual expenditures and current actuarial contract
 - \$0.1 million for FY 2014 and FY 2015 for legal services associated with distressed communities
 - \$0.2 million for FY 2014 and \$0.1 million for FY 2015 for actuarial contract for Locally Administered Pension Plans Study Commission

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Division of Municipal Finance

- \$0.1 million for FY 2014 and FY 2015 to reimburse municipalities for 50% of cost of financial oversight
 - Enacted by 2013 Assembly
 - Reimbursement for 50% of salary and benefit costs for with finance advisor
 - Reimbursement each year for 5 years after abolishment of fiscal overseer

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Division of Municipal Finance

50% Fiscal Oversight	FY 2014 Enacted	FY 2014 Revised	FY 2015
Central Falls	\$ -	\$ 56,005	\$ 65,762
East Providence	-	51,282	64,778
Total	\$ -	\$ 107,287	\$ 130,540

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Division of Municipal Finance

- Staff salaries and benefits
 - Authorized 17.0 full-time positions
 - \$1.6 million for FY 2014
 - \$1.7 million for FY 2015
 - Turnover savings consistent with current vacancies for both years
- \$40,999 for operations expenses for both years

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Division of Taxation

- Tax Processing Unit – performs activities relating to receipt of cash payments; processes tax returns
- Office of Assessment & Review – assesses and collects taxes; holds administrative hearings

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Division of Taxation

- Field Audit – audits business corporations and individuals
- Tax Compliance and Collection – enforces actions to collect overdue taxes

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Division of Taxation

- FY 2014 revised: \$18.5 million from all sources for salaries and benefits
 - \$15.6 million from general revenues
- 208.0 full-time positions – current authorization
 - Includes 25.0 revenue officer positions
 - Consistent with request
 - Approximately 22.0 funded

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Division of Taxation

- FY 2015: \$19.5 million from all sources for salaries and benefits
 - \$16.6 million from general revenues
- 215.0 full-time positions
 - Includes funding and authorization for 32.0 revenue officer positions

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Division of Taxation

- Budget includes net increase of \$7.6 million from new revenue officers
 - FY 2015 includes \$0.8 million from general revenues to fund 10.0 positions
 - Each revenue officer position assumed to generate average of \$0.8 million
 - Collections of taxes, penalties, and fees
 - Assumes all positions filled as of July 1, 2014

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Division of Taxation

- Governor recommends \$2.2 million for FY 2014 for all other operations
 - \$2.0 million from general revenues
 - Eliminates \$0.1 million for computer purchases
 - Shifts \$25,000 from general revenues from FY 2015 to FY 2014 for the Landmark and Westerly Hospitals bankruptcy case

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Division of Taxation

- Governor recommends \$2.1 million for FY 2015 for all other operations
 - \$1.9 million from general revenues
 - Eliminates \$60,000 for computer purchases
 - Decrease for printing and mailing to reflect online filings of tax returns

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Division of Motor Vehicles

- Administers and enforces laws pertaining to the operation and registration of motor vehicles
 - Suspension
 - Revocation
 - Inspection of motor vehicles
 - Issues licenses

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Division of Motor Vehicles

- Branch offices
 - Cranston (Pastore Center, Headquarters)
 - Woonsocket
 - Middletown
 - Wakefield (Monday to Thursday)
 - Warren (Tuesday and Wednesday)
 - Westerly (Fridays only)

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Division of Motor Vehicles

- Governor recommends 171.0 full-time positions for FY 2014 and FY 2015
 - \$0.1 million from general revenues for both years for 1.0 Chief of Information and Public Relations
 - Function currently filled by member of Governor's resource team

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Division of Motor Vehicles

- \$0.3 million more than enacted for FY 2014
- \$0.4 million more than enacted for FY 2015
 - Fill currently unfunded customer service representative positions
 - Request included \$0.7 million for both years
 - Funding recommended to facilitate testing process for Modernization System

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Division of Motor Vehicles

- Funding and authorization for remaining 99.0 full-time positions
 - \$12.8 million from all funds for FY 2014
 - \$13.1 million from all funds for FY 2015

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DMV Modernization Project

- 2006 Assembly authorized DOA to borrow \$13.0 million to modernize DMV computer system
 - Debt service supported by a \$1.50 surcharge on transaction
 - Extended surcharge from 7 to 10 years because receipts were yielding less than anticipated

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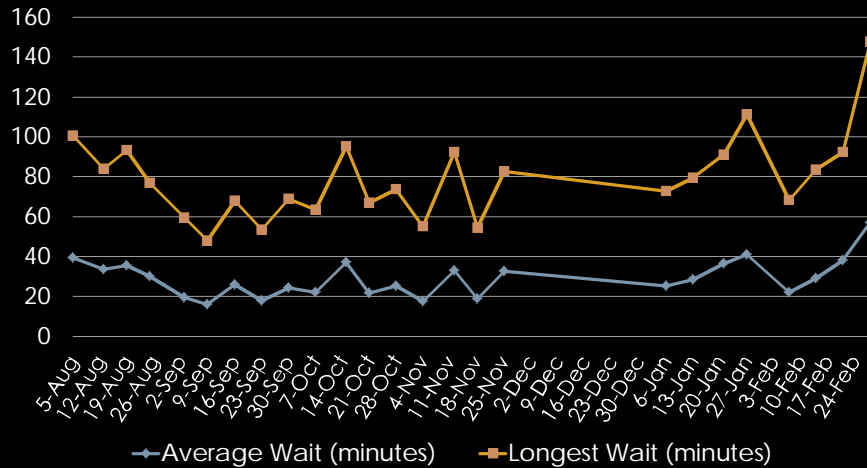
DMV Modernization Project

- Allows for more web site functionality to reduce wait times for transactions performed at the Registry such as titles and registrations
- Project includes:
 - Enhanced digital facial recognition
 - Use of barcode readers
 - Infrastructure upgrade

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DMV Modernization Project

Wait Times from August 2013 through February 2014



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DMV Modernization Project

- Request for proposal was issued in December 2006
- Began testing in September 2009
 - Testing schedule revised December 2013
- Fourth revision of contract made in fall 2013
- Current agreement with Hewlett-Packard sets project completion date in FY 2014
 - Deadline will not be met – no new date

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DMV Modernization Project

- FY 2014 Revised includes \$2.2 million from restricted receipts and \$2.7 million from federal funds to support project completion
 - \$0.6 million more than enacted from general revenues to support use of existing system for FY 2014
- FY 2015 includes \$1.6 million from federal funds to support system updates consistent with federal program guidelines

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Division of Motor Vehicles

- \$5.8 million from all sources for all other operations and \$5.6 million from all sources for FY 2015
 - \$5.0 million from general revenues for FY 2015
 - Funds office operations, building maintenance, software and database agreements, and telecomm access costs

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State Aid

- Calculates and administers multiple programs
 - Distressed Communities Relief Fund
 - Municipal Incentive Aid
 - Motor Vehicles Excise Tax
 - Payment in Lieu of Taxes
 - Property Revaluation Reimbursement
 - Actuarial Valuations
- State aid for libraries remains in DOA

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State Aid

<i>(in millions)</i>	FY 2014 Enacted	FY 2014 Revised	FY 2015	FY 2015 to Enacted
Distressed Communities	\$ 10.4	\$ 10.4	\$ 10.4	\$ -
Municipal Incentive Aid	5.0	5.0	5.0	-
PILOT	35.1	35.1	35.1	-
Motor Vehicle Excise Tax	10.0	10.0	10.0	-
Property Revaluation	0.5	0.5*	0.6	0.1
Total	\$ 61.0	\$ 60.9	\$ 61.1	\$ 0.1

*Includes \$86,396 reappropriated from FY 2013

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Distressed Communities Relief Fund

- Established in 1990 to provide assistance to communities with highest property tax burdens relative to wealth
- Communities falling into the lowest 20.0% for at least 3 of 4 indices to be eligible
 - Percent of tax levy to full value of property
 - Per capita income
 - Personal income as percent of full value of property
 - Per capita full value of property

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Distressed Communities Relief Fund

- \$10.4 million for FY 2015, consistent with enacted budget
- Eligible communities:
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - Cranston receives 50.0% allocation in exit year

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Municipal Incentive Aid

- Governor includes enacted level of \$5.0 million
- 3-year program to encourage:
 - Sustainable funding of retirement plans
 - Reduce unfunded liabilities
- Distributed to eligible municipalities on population basis if certain conditions are met
 - Coventry did not meet FY 2014 criteria
 - Allocation will be distributed amongst 38 other cities and towns in May 2014

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Payment in Lieu of Taxes (PILOT)

- Program reimburses cities and towns for property taxes which would have been due on untaxable property
 - Nonprofit educational institutions, hospitals, or state-owned hospital, veterans' facility, or correctional facility
- Reimbursement up to 27.0% tax that would have been collected
 - Subject to appropriation

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Payment in Lieu of Taxes (PILOT)

- Governor recommends enacted level of \$35.1 million for FY 2015
- Recommended distribution will change based on updated data
 - Twelve municipalities did not meet August 1st deadline established in statute
- State makes one payment, in July each year

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Motor Vehicle Excise Tax

- Recommends enacted level of \$10.0 million for FY 2015
- 2010 Assembly – state will reimburse for \$500 exemption, subject to appropriation
- Legislation allows municipalities to provide an additional exemption
 - Additional exemption not subject to reimbursement

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Property Revaluation Reimbursements

- Current law requires municipalities update property valuations every third and sixth year after a full revaluation
- Recommends \$0.5 million for FY 2014 and \$0.6 million for FY 2015
- Expenditures fluctuate annually
 - Determined by communities conducting revaluation

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Property Revaluation Reimbursements

- Recommendation includes \$86,396 reappropriated from FY 2013 to reimburse Providence
- Three communities scheduled for property valuations in FY 2014 & FY 2015

FY 2014	FY 2015
Barrington	East Providence
Cranston	Warren
East Greenwich	Warwick

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Capital Budget

Project	Status	Total Cost (millions)	Financing	End Date
Lottery HQ	Revised	\$ 0.6	RICAP	FY 2014
DMV Modernization	Revised	\$ 20.3	COPS, surcharge	FY 2014
Lifts Replace	Ongoing	\$ 0.3	RICAP	FY 2014
Integrated Tax System	Ongoing	\$ 25.0	COPS	FY 2017

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Lottery Building Renovations

- Recommends project total of \$0.6 million
 - Renovation to heating system
 - Parking lot repairs
 - Replace HVAC system
 - \$0.2 million more than approved plan
- Includes \$0.3 million for FY 2014
 - Reflects updated costs for redesign and construction of parking lot

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Lifts Replacement

- Recommends \$0.3 million from RICAP for FY 2014 to replace 2 lifts within the safety and emission control inspection garage
- Lifts are used daily for the inspection of school buses and other vehicles
 - In service for more than 15 years
 - Require maintenance on a frequent basis

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Integrated Tax System

- Total of \$25.0 million from COPs for ongoing project
- Consolidates separate programs into one computer system
 - Enhance customer service
 - Reduce operating costs
 - Enhance compliance and collections
- Assumes \$5.0 million per year from FY 2013 through FY 2017

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Annual Reporting Requirements

- 2013 Assembly enacted legislation requiring OMB to prepare, review and inventory all reports filed with Assembly
 - Report to be presented to Assembly as part of budget submission annually
- Department is required to submit 26 reports

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Annual Reporting Requirements

- Division of Taxation
 - Required to submit 13 reports
 - 4 reports are new – due date has not occurred
 - All others current
- Municipal Finance
 - Required to submit 4 reports
 - All are current
- Division of Motor Vehicles
 - Required to submit 2 reports
 - Vehicle Value Commission report current
 - DMV Commission report never submitted

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Annual Reporting Requirements

- Lottery
 - Required to submit 2 reports
 - Both are current
- Office of Revenue Analysis
 - Required to submit Tax Expenditures Report (includes 2 supplements)
 - Due every other January - not yet submitted for 2014
- Office of Director
 - Required to submit Annual Unified Economic Development report
 - Report due in January – not yet submitted for 2014

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Regulatory Reform and Review

- State agencies have to review all relevant state regulations to determine any adverse impact on small business
- Division of Taxation submitted 80.2% of regulations for review (surpassed target)
 - 152 regulations reviewed
 - 129 determined to have direct impact on small business
 - 1 regulation identified as potentially duplicative

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